

Hamlin Township
Mason County, Michigan

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

Year ended March 31, 2008

Hamlin Township
LIST OF ELECTED OFFICIALS
March 31, 2008

ELECTED OFFICIALS

Supervisor Nancy Vandervest

Clerk.....Cathy Lewis

Treasurer Mary McCarthy

Trustees..... Johnaine Gurzynski
Brian Vandervest

Hamlin Township

TABLE OF CONTENTS

Management’s Discussion and Analysis.....	i - vii
Independent Auditors’ Report.....	1
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	2
Statement of Activities	3
Fund Financial Statements	
Governmental Funds	
Balance Sheet	4
Reconciliation of the Governmental Funds Balance Sheet	
to the Statement of Net Assets	5
Statement of Revenues, Expenditures and Changes	
in Fund Balances	6
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures and Changes in Fund Balances to the Statement of	
Activities	7
Statement of Fiduciary Assets and Liabilities	8
Notes to Financial Statements	9
Required Supplementary Information	
Budgetary Comparison Schedule—General Fund.....	19
Budgetary Comparison Schedule—Fire Fund	20

As management of Hamlin Township, we present to the readers of the Township's financial statements this overview and analysis of the financial activities of Hamlin Township for the fiscal year ended March 31, 2008. We encourage you to consider the information presented in these financial statements along with the additional information that has been furnished in this letter.

FINANCIAL HIGHLIGHTS

- The General Fund fund balance increased \$80,436 after completing a transfer to the Budget Stabilization Fund of \$61,400. The Fire Fund fund balance decreased by \$1,670, this slight change is due to equipment purchases.
- The Township spent \$31,731 on improving and maintaining roads within the township during the year, this is slightly less than what was spent in the prior year. The majority of these expenditures were due to the Township working with the Mason County Road Commission on improving Jagger Road.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. Hamlin Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Township's finances. These statements are similar to those of a private sector business.

The Statement of Net Assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The Statement of Activities presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements mentioned above distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include general government, public safety, public works, health and sanitation, culture and recreation, and community and economic development.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories—governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating a governmental entity's short-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Fire Fund, and Debt Service Fund, which are considered major funds. Data from the Budget Stabilization Fund is presented as an other governmental fund.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are not reflected on the government-wide financial statements because the resources from those funds are not available to support the Township's programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The reader is encouraged to include the reading of this section in any attempt to analyze and understand these statements.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's budgetary information as it relates to the actual expenditures for the General Fund and the Fire Fund.

Government-wide Financial Analysis

The first table presented below is a summary of the government-wide statement of net assets for Hamlin Township. As stated earlier, the net assets may be used as an indicator of a government's financial health. As of March 31, 2008, the Township's net assets from governmental activities totaled \$1,814,520.

In examining the composition of these net assets, the reader should note that governmental activities net assets are invested in capital assets (i.e., buildings, land, vehicles, equipment, etc.) These assets are used to provide services to the Township's residents, and they are not available to pay salaries, operational expenses or fund capital projects. The unrestricted net assets for governmental-type activities actually depict a balance of \$1,224,264. This represents the amount of discretionary resources that can be used for general governmental operations.

Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Current assets and other assets	\$ 1,372,359	\$ 1,235,351
Capital assets	924,282	929,733
Total assets	<u>2,296,641</u>	<u>2,165,084</u>
Current liabilities	33,599	37,835
Noncurrent liabilities	448,522	480,067
Total liabilities	<u>482,121</u>	<u>517,902</u>
Net assets		
Invested in capital assets, net of related debt	445,623	423,119
Restricted	144,633	140,807
Unrestricted	1,224,264	1,083,256
Total net assets	<u>\$ 1,814,520</u>	<u>\$ 1,647,182</u>

The increase in current assets was primarily attributable to the increase in cash, which was a result of the Township not spending all the revenue received in the current year. Capital assets decreased primarily due to current year depreciation expense. Noncurrent liabilities decreased due to the Township making its regular scheduled debt payments.

Governmental Activities

Governmental activities net assets increased by \$167,338 during the 2008 fiscal year. The following table depicts this occurrence which will be discussed in more detail later in this analysis.

Change in Net Assets

	Governmental Activities 2008	Governmental Activities 2007
Revenues:		
Program revenues		
Charges for services	\$ 97,110	\$ 87,932
Capital grants and contributions	30,685	-
General revenues		
Property taxes	266,030	247,770
Franchise fees	4,253	4,224
Grants and contributions not restricted	224,376	223,222
Unrestricted investment earning	55,078	48,581
Miscellaneous	9,297	9,734
Total revenues	686,829	621,463
Expenses:		
General government	257,152	248,432
Public safety	111,898	85,497
Public works	33,959	42,048
Health and sanitation	34,608	42,367
Culture and recreation	23,673	21,717
Community and economic development	30,737	33,823
Interest on long-term debt	27,464	28,913
Total expenses	519,491	502,797
Change in net assets	167,338	118,666
Net assets - Beginning	1,647,182	1,528,516
Net assets - Ending	\$ 1,814,520	\$ 1,647,182

When comparing the 2008 fiscal year to the 2007 fiscal year revenue and expenditures of governmental activities were fairly consistent for most categories. In 2008, the Township received a federal grant for fire equipment. Property tax revenue increased as the taxable value of the property within the township increased.

Public safety expenditures increase in fiscal year 2008 due to the purchase of fire equipment related to the federal grant discussed in the previous paragraph.

Financial Analysis of the Government's Funds

As stated earlier in this discussion and analysis, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances in spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balances or the lack thereof, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of Hamlin Township. At the end of the fiscal year 2008, the unreserved General Fund fund balance was \$1,031,579 and the total General Fund fund balance was \$1,035,254, an increase of 8% over the prior year.

The Fire Fund accounts for the activities of the Township's fire department. The fire department provides services to the residents of Hamlin Township and several surrounding townships as part of the Western Mason County Fire District Authority, Inc. The fund balance at the end of the 2008 fiscal year was \$89,010. This is a slight decrease from the prior year.

The Debt Service Fund is used to account for debt payments on the new fire station. It is funded by property taxes.

At the end of the 2008 fiscal year, Hamlin Township's governmental funds reported a combined unreserved fund balance of \$1,220,589. This number represents the unreserved fund balance of \$1,031,579 in the General Fund, \$89,010 in the Fire Fund and \$100,000 in the Budget Stabilization Fund. It is necessary to further distinguish the total fund balance of \$1,368,897 between the unreserved and reserved fund balance. The unreserved balance represents what is available for spending at the Township's discretion. Of the total reserved fund balance, \$3,675 is reserved for prepaid items and \$144,633 is reserved for debt service payments.

General Fund Budget

During the current fiscal year, the Township made several amendments to its original budget. The most significant of those are listed below:

- Increased the budget items for charges for services as management noticed an increase in services being provided.
- The investment earnings budget was also increased as investment earning increased during the year.
- The budget for office manager was increased as a result of needed repairs and updates to the Township's computer system.
- The budget for parks increased due to Township's attempt to maintain and improve the quality of the parks.
- As other line items in the budget increased, the contingency budget decreased.

The following comments summarize the major variations from the final budget to actual revenues and expenditures.

- Intergovernmental revenue was higher than budgeted because the state revenue sharing received was larger than expected.
- The Township was under budget on roads due to the County Road Commission schedule not permitting planned improvements during the year. Management is hoping some of these projects will be complete in the summer of 2008.
- Capital outlay expenditures were over budget due to the excavating at a township park.
- Legislation expenditures were under budget due to legal fees not being as high as expected.

Fire Fund Budget

The fire fund budget for capital outlay was increased as the Township added new equipment.

The Fire Fund received Federal grant monies totaling \$30,685 for the purchase of equipment which was not budgeted. This caused both the revenues and expenditures to be over budget.

Capital Assets Administration

Hamlin Township's investment in capital assets for its governmental activities as of March 31, 2008 totaled \$924,282 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery, equipment and vehicles. The Township's asset addition during the year consisted of the following.

- Transfer station improvements.
- Park improvements made for the safety and enjoyment of residents and visitors.
- Fire rescue vehicle and trailer used for emergency calls in rural areas and ice rescues.
- Thermal imaging camera used to locate individuals and animals in fires.

Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities 2008	Governmental Activities 2007
Land	\$ 142,018	\$ 142,018
Buildings and improvements	711,498	731,542
Furniture and equipment	67,666	52,298
Vehicles	3,100	3,875
Total	<u>\$ 924,282</u>	<u>\$ 929,733</u>

Additional information on the Township's capital assets can be found in the notes to financial statements.

Long-Term Debt

At the end of the 2008 fiscal year, the Township had total outstanding debt of \$478,659 consisting of general obligations bonds, capital leases, and compensated absences. The general obligation debt of \$475,000 in governmental funds is backed by the full-faith and credit of the Township.

Outstanding Debt

	Governmental Activities 2008	Governmental Activities 2007
General obligation bonds	\$ 475,000	\$ 500,000
Capital leases	137	1,684
Compensated absences	3,522	4,930
Total	<u>\$ 478,659</u>	<u>\$ 506,614</u>

The Township's total debt decreased by \$27,955 during the fiscal year. This reduction was due to normal required debt payment of \$26,547 and a decrease in accumulated compensated absences of \$1,408.

Additional information on the Township's long-term debt can be found in the notes to the financial statements.

General Economic Overview

Hamlin Township's General Fund is comprised of two major revenue sources: state revenue sharing and property tax revenue. Those two sources comprise approximately 70% of the General Fund's revenue sources. In fiscal year 2009, state revenue sharing is expected to remain flat. Property tax revenues will probably increase slightly due to an increase in taxable value and expected increased development within the Township. Expenditures are expected to remain consistent with 2008.

The employment situation for Mason County and the surrounding area is a cause for concern and for conservativeness with the Township spending. However, Hamlin Township is optimistic for future economic development including several new subdivisions located in the Township.

Requests for Information

This financial report is designed to provide a general overview of the Hamlin Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Hamlin Township, 3775 N. Jebavy Drive, Ludington, Michigan, 49431, (231) 845-7801.

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

July 23, 2008

Township Board
Hamlin Township
Ludington, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Hamlin Township as of and for the year ended March 31, 2008, which collectively comprise Hamlin Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Hamlin Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Hamlin Township, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i - vii and 19 - 20 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Hamlin Township
STATEMENT OF NET ASSETS
 March 31, 2008

ASSETS

	Governmental activities
CURRENT ASSETS	
Cash and investments	\$ 1,311,441
Taxes receivable	22,948
Due from other governmental units	34,295
Prepaid items	<u>3,675</u>
Total current assets	1,372,359
NONCURRENT ASSETS	
Capital assets, net	
Nondepreciable	142,018
Depreciable	<u>782,264</u>
Total noncurrent assets	<u>924,282</u>
Total assets	2,296,641
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES	
Accounts payable and accrued liabilities	3,462
Bonds and other obligations, due within one year	<u>30,137</u>
Total current liabilities	33,599
NONCURRENT LIABILITIES	
Bonds and other obligations, less amounts due within one year	<u>448,522</u>
Total liabilities	<u>482,121</u>
NET ASSETS	
Invested in capital assets, net of related debt	445,623
Restricted for debt service	144,633
Unrestricted	<u>1,224,264</u>
Total net assets	\$ <u><u>1,814,520</u></u>

The accompanying notes are an integral part of this statement.

Hamlin Township
STATEMENT OF ACTIVITIES
For the year ended March 31, 2008

<i>Functions/Programs</i>	Expenses	Program Revenue		Net (Expense)
		Charges for	Capital grants	Revenue and Changes
		services	and contributions	in Net Assets
				Governmental
				activities
Governmental activities				
General government	\$ 257,152	\$ 69,452	\$ -	\$ (187,700)
Public safety	111,898	-	30,685	(81,213)
Public works	33,959	27,658	-	(6,301)
Health and sanitation	34,608	-	-	(34,608)
Community and economic development	30,737	-	-	(30,737)
Culture and recreation	23,673	-	-	(23,673)
Interest on long-term debt	27,464	-	-	(27,464)
Total governmental activities	<u>\$ 519,491</u>	<u>\$ 97,110</u>	<u>\$ 30,685</u>	(391,696)
General revenues				
Property taxes, levied for				
General purposes				134,574
Specific purposes				131,456
Franchise fees				4,253
Grants and contributions not restricted to specific programs				224,376
Unrestricted investment earnings				55,078
Miscellaneous				9,297
Total general revenues				<u>559,034</u>
Change in net assets				167,338
Net assets at April 1, 2007				<u>1,647,182</u>
Net assets at March 31, 2008				<u>\$ 1,814,520</u>

The accompanying notes are an integral part of this statement.

Hamlin Township
BALANCE SHEET
Governmental Funds
March 31, 2008

	General Fund	Fire Fund	Debt Service	Other governmental fund	Total governmental funds
ASSETS					
Cash and investments	\$ 984,726	\$ 86,458	\$ 140,257	\$ 100,000	\$ 1,311,441
Taxes receivable	12,558	6,014	4,376	-	22,948
Due from other governmental units	34,295	-	-	-	34,295
Prepaid items	3,675	-	-	-	3,675
Total assets	<u>\$ 1,035,254</u>	<u>\$ 92,472</u>	<u>\$ 144,633</u>	<u>\$ 100,000</u>	<u>\$ 1,372,359</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 3,462	\$ -	\$ -	\$ 3,462
Fund balances					
Reserved for:					
Debt service	-	-	144,633	-	144,633
Prepaid items	3,675	-	-	-	3,675
Unreserved					
General Fund	1,031,579	-	-	-	1,031,579
Special revenue funds	-	89,010	-	100,000	189,010
Total fund balances	<u>1,035,254</u>	<u>89,010</u>	<u>144,633</u>	<u>100,000</u>	<u>1,368,897</u>
Total liabilities and fund balances	<u>\$ 1,035,254</u>	<u>\$ 92,472</u>	<u>\$ 144,633</u>	<u>\$ 100,000</u>	<u>\$ 1,372,359</u>

The accompanying notes are an integral part of this statement.

Hamlin Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**
March 31, 2008

Total fund balance—governmental funds		\$ 1,368,897
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Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources and
are not reported in the governmental funds.

Cost of capital assets	\$ 1,480,142	
Accumulated depreciation	<u>(555,860)</u>	924,282

Long-term liabilities in governmental activities are not due and payable in the current
period and are not reported in the governmental funds.

Bonds and capital lease payable	(475,137)	
Compensated absences	<u>(3,522)</u>	<u>(478,659)</u>

Net assets of governmental activities in the Statement of Net Assets		\$ <u>1,814,520</u>
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The accompanying notes are an integral part of this statement.

Hamlin Township
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
Governmental Funds
For the year ended March 31, 2008

	General Fund	Fire Fund	Debt Service	Other governmental fund	Total governmental funds
REVENUES					
Property taxes	\$ 134,574	\$ 79,189	\$ 52,267	\$ -	\$ 266,030
Licenses and permits	2,940	-	-	-	2,940
Intergovernmental revenues					
Federal	-	30,685	-	-	30,685
State	224,376	-	-	-	224,376
Charges for services	100,700	-	-	-	100,700
Fines and forfeitures	96	-	-	-	96
Investment earnings	45,140	1,510	5,031	3,301	54,982
Other	2,150	4,871	-	-	7,021
Total revenues	509,976	116,255	57,298	3,301	686,830
EXPENDITURES					
Current					
General government	240,650	-	-	-	240,650
Public safety	-	91,142	-	-	91,142
Public works	33,959	-	-	-	33,959
Health and sanitation	34,608	-	-	-	34,608
Community and economic development	30,737	-	-	-	30,737
Culture and recreation	21,431	-	-	-	21,431
Debt service					
Principal	1,547	-	25,000	-	26,547
Interest and fees	109	-	27,630	-	27,739
Capital outlay	8,400	26,783	-	-	35,183
Total expenditures	371,441	117,925	52,630	-	541,996
Excess of revenues over (under) expenditures	138,535	(1,670)	4,668	3,301	144,834
OTHER FINANCING SOURCES (USES)					
Transfers in	3,301	-	-	61,400	64,701
Transfers out	(61,400)	-	-	(3,301)	(64,701)
Total other financing sources (uses)	(58,099)	-	-	58,099	-
Net change in fund balances	80,436	(1,670)	4,668	61,400	144,834
Fund balances at April 1, 2007	954,818	90,680	139,965	38,600	1,224,063
Fund balances at March 31, 2008	\$ 1,035,254	\$ 89,010	\$ 144,633	\$ 100,000	\$ 1,368,897

The accompanying notes are an integral part of this statement.

Hamlin Township
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the year ended March 31, 2008

Net change in fund balances—total governmental funds	\$	144,834
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures; in the Statement of Activities, these costs are depreciated over their estimated useful lives.

Depreciation expense	\$ (40,634)	
Capital outlay	<u>35,183</u>	(5,451)

Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		26,547
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Compensated absences are reported on the accrual method in the Statement of Activities and reported as expenditures when financial resources are used in the governmental funds.		<u>1,408</u>
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Change in net assets of governmental activities	\$	<u><u>167,338</u></u>
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The accompanying notes are an integral part of this statement.

Hamlin Township
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
Fiduciary Funds
March 31, 2008

	<u>Tax Account</u>	<u>Trust and Agency</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ <u> -</u>	\$ <u> 4,764</u>	\$ <u> 4,764</u>
LIABILITIES			
Due to other governmental units	\$ <u> -</u>	\$ <u> 4,764</u>	\$ <u> 4,764</u>

The accompanying notes are an integral part of this statement.

Hamlin Township
NOTES TO FINANCIAL STATEMENTS
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hamlin Township (Township) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

Reporting Entity

The Township is a common law township governed by an elected five-member board.

Generally accepted accounting principles require that if the Township has certain oversight responsibilities over other organizations, those organizations should be included in the Township's financial statements. Since no organizations meet these criteria, none are included in the financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The Township does not allocate indirect costs.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Hamlin Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Measurement Focus, Basis of Accounting and Financial Statement Presentation—Continued

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Fund is used to account for the Township's fire department operations.

The Debt Service Fund is used for the repayment of debt.

The Township only has one other governmental fund, the Budget Stabilization Fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

The Township reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under this standard, certain investments are valued at fair value as determined by quoted market prices or by estimated fair values when quoted market prices are not available. The standard also provides that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the Township intends to hold the investment until maturity.

Hamlin Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Deposits and Investments—Continued

The Township has adopted an investment policy in compliance with State of Michigan statutes. Those statutes authorize the Township to invest in obligations of the United States, certificates of deposit, prime commercial paper, securities guaranteed by United States agencies or instrumentalities, United States government or federal agency obligation repurchase agreements, bankers acceptances, state-approved investment pools and certain mutual funds.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of allowance for uncollectibles.

The Township bills and collects its own property taxes and also collects taxes for the county, school and State of Michigan. Taxes are levied on December 1 on the taxable valuation of property (as defined by state statutes) located in the Local Governmental Unit as of the preceding December 31. Uncollectible real property taxes as of the following March 1 are turned over by the Township to the county for collection. The county advances the Township all these delinquent real property taxes. The delinquent personal property taxes remain the responsibility of the Township. The Township recognizes all available revenue from the current tax levy. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 state taxable value for real/personal property of the Township totaled approximately \$170,489,000. The ad valorem taxes levied consisted of .7333 mills for the Township's operating purposes, .4584 mills for fire operating purposes and .3 mills for debt service. These amounts are recognized in the respective General Fund, Fire Fund and Debt Service Fund.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Hamlin Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Assets, Liabilities and Net Assets or Equity—Continued

Capital Assets—Continued

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	40
Furniture and equipment	5-10
Vehicles	7-20

Compensated Absences

Full-time permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the Township. Accumulated vacation time does not generally carry over beyond the calendar year in which it is earned. Sick leave accrues to full-time permanent employees to specified maximums. Generally, after one year of service, employees are entitled to a percentage of their sick leave balance. The liability for these compensated absences is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

Hamlin Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE B—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary information provided in the financial statements:

- a. Prior to the first week of March, the Township Supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following April 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Not later than the first week in March, the budget is legally enacted through passage of a resolution.
- d. Supplemental appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the Township Board. All appropriations lapse at year end.

The appropriated budget is prepared by fund, function and department. The Township's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Township Board. The legal level of budgetary control is the department level. The Township Board made several supplemental budgetary appropriations throughout the year.

Excess of Expenditures Over Appropriations.

During the year ended March 31, 2008, actual expenditures exceeded appropriations for capital outlay by \$6,900 in the General Fund. In the Fire Fund, actual expenditures exceeded appropriations for capital outlay by \$11,283 and Public Safety by \$13,142. Over expenditures for both funds were funded with available fund balance.

NOTE C—DEPOSITS AND INVESTMENTS

Interest rate risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper and corporate bonds to the two highest classifications issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Township does not have a concentration of credit risk policy. Concentration of credit risk is the risk of loss attributed to the magnitude of the Township investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Hamlin Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE C—DEPOSITS AND INVESTMENTS—Continued

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of March 31, 2008, \$1,136,421 of the Township's bank balance of \$1,336,422 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk - investments. The Township does not have a custodial credit risk policy for investments. This is the risk that, in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Foreign currency risk. The Township is not authorized to invest in investments which have this type of risk.

NOTE D—CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2008 was as follows:

	Balance April 1, 2007	Additions	Deductions	Balance March 31, 2008
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 142,018	\$ -	\$ -	\$ 142,018
Capital assets, being depreciated:				
Buildings and improvements	1,027,093	8,400	-	1,035,493
Furniture and equipment	161,348	26,783	-	188,131
Vehicles	114,500	-	-	114,500
Total capital assets, being depreciated	1,302,941	35,183	-	1,338,124
Less accumulated depreciation:				
Buildings and improvements	295,551	28,444	-	323,995
Furniture and equipment	109,050	11,415	-	120,465
Vehicles	110,625	775	-	111,400
Total accumulated depreciation	515,226	40,634	-	555,860
Total capital assets, being depreciated, net	787,715	(5,451)	-	782,264
Capital assets, net	\$ 929,733	\$ (5,451)	\$ -	\$ 924,282

Hamlin Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE D—CAPITAL ASSETS—Continued

Depreciation

Depreciation expense was charged to functions as follows:

Governmental activities:

General government	\$ 17,911
Public safety	20,481
Culture and recreation	<u>2,242</u>
	<u>\$ 40,634</u>

NOTE E—INTERFUND TRANSFERS

Interfund transfers:

The Budget Stabilization Fund transferred \$3,301 to the General Fund for interest revenue earned on certificates of deposit. The General Fund transferred \$61,400 to the Budget Stabilization fund which increased the cash in the Budget Stabilization Fund to \$100,000.

NOTE F—LONG-TERM DEBT

Summary of Changes in Long-Term Liabilities

The following is a summary of long-term liabilities activity for the Township for the year ended March 31, 2008.

	Balance April 1, 2007	Additions	Reductions	Balance March 31, 2008	Due within one year
Governmental activities:					
General obligation bonds	\$ 500,000	\$ -	\$ 25,000	\$ 475,000	\$ 30,000
Capital lease payable	1,684	-	1,547	137	137
Compensated absences	<u>4,930</u>	<u>-</u>	<u>1,408</u>	<u>3,522</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 506,614</u>	<u>\$ -</u>	<u>\$ 27,955</u>	<u>\$ 478,659</u>	<u>\$ 30,137</u>

Governmental activities:

General obligations bonds:

\$550,000 Limited Tax General Obligation

Bonds of 2000 payable in annual installments
of \$25,000 to \$55,000 through March 2020;
interest at 5.3%

\$ 475,000

Hamlin Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE F—LONG-TERM DEBT—Continued

Summary of Changes in Long-Term Liabilities—Continued

Governmental activities:—Continued

Capital lease

10.98% Capital lease payable due in monthly
installments of \$138 including interest; final
payment due April 2008

\$ 137

475,137

Compensated absences

3,522

\$ 478,659

The general obligation bonds are backed by the full faith and credit of the Township.

Annual debt service requirements to maturity for debt outstanding as of March 31, 2008 follows:

Year ending March 31,	Governmental activities	
	Principal	Interest
2009	\$ 30,137	\$ 25,995
2010	30,000	24,406
2011	30,000	22,816
2012	35,000	21,226
2013	35,000	19,370
2013-2017	210,000	67,440
2018-2020	<u>105,000</u>	<u>8,880</u>
	<u>\$ 475,137</u>	<u>\$ 190,133</u>

NOTE G—OTHER INFORMATION

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss in excess of insurance coverage can be reasonably estimated. There has been no loss in excess of insurance in the past three years.

Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability to the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the Township expects such amounts, if any, to be immaterial.

Hamlin Township
NOTES TO FINANCIAL STATEMENTS—CONTINUED
March 31, 2008

NOTE G—OTHER INFORMATION—Continued

Jointly Governed Entity

The Mason County Rural Fire Authority purchased two fire trucks funded by loans. The Township has pledged its full faith and credit for its portion of the debt should the Authority not be able to make the debt payments. The Township's portion of the debt as of March 31, 2008 was \$190,123. The Township is unaware of any circumstances that would cause a default in the near future.

NOTE H—PENSION PLAN

The Township provides pension benefits for all of its board members and full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan is administered through John Hancock Life Insurance. The Township is required to contribute an amount equal to 10 percent of the qualified employees' annual compensation each plan year. For the year ended March 31, 2008, pension expense was approximately \$8,700. Employees did not contribute to the Plan.

NOTE I—ECONOMIC DEPENDENCY

State of Michigan shared revenues represent 44 percent of General Fund revenues.

NOTE J—SUBSEQUENT EVENT

On June 13, 2008, Hamlin Township received approximately 12 inches of rain. Due to the rain, the Township had to repair the parking lot at both Wilson Hill Park and the South Bayou Park. In addition, the Township offered dumpsters to residents for damaged items related to the heavy rainfall. Due to the storm, Township fire personnel worked about 300 hours. The total expenses incurred by the Township due to the heavy rain are expected to be approximately \$38,000.

REQUIRED SUPPLEMENTARY INFORMATION

Hamlin Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
General Fund
For the year ended March 31, 2008

	Budgeted amounts			Variance with final budget- positive (negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 126,300	\$ 129,896	\$ 134,574	\$ 4,678
Licenses and permits	2,500	2,820	2,940	120
Intergovernmental revenues - State	200,000	206,200	224,376	18,176
Charges for services	84,900	91,228	100,700	9,472
Fines and forfeitures	1,000	1,000	96	(904)
Investment earnings	30,000	40,200	45,140	4,940
Other	1,300	2,270	2,150	(120)
Total revenues	446,000	473,614	509,976	36,362
EXPENDITURES				
Current				
General government				
Legislative	40,100	40,201	28,075	12,126
Supervisor	26,000	26,000	25,896	104
Elections	10,000	10,000	2,891	7,109
Board of review	1,500	1,500	1,434	66
Clerk	30,000	31,400	30,341	1,059
Treasurer	30,000	30,000	29,315	685
Assessor	51,000	51,600	54,284	(2,684)
Office manager	41,000	45,600	41,889	3,711
Township hall	24,000	24,100	26,525	(2,425)
Public works				
Roads	78,200	78,200	31,731	46,469
Street lights	2,000	2,500	2,228	272
Health and sanitation				
Transfer facility	35,000	36,500	34,608	1,892
Community and economic development				
Zoning administrator	24,000	24,000	18,014	5,986
Planning commission	7,000	9,400	10,325	(925)
Zoning board of appeals	4,500	4,500	2,398	2,102
Culture and recreation				
Parks	23,000	26,200	21,431	4,769
Debt service				
Principal	-	-	1,547	(1,547)
Interest and fees	-	-	109	(109)
Contingency items	36,000	21,599	-	21,599
Capital outlay	1,500	1,500	8,400	(6,900)
Total expenditures	464,800	464,800	371,441	93,359
Excess of revenues over (under) expenditures	(18,800)	8,814	138,535	129,721
OTHER FINANCING SOURCES				
Transfers in	-	-	3,301	3,301
Net change in fund balance	\$ (18,800)	\$ 8,814	141,836	\$ 133,022
Fund balance at April 1, 2007			954,818	
Fund balance at March 31, 2008			\$ 1,096,654	

Hamlin Township
Required Supplementary Information
BUDGETARY COMPARISON SCHEDULE
Fire Fund
For the year ended March 31, 2008

	Budgeted amounts		Actual	Variance with final budget- positive (negative)
	Original	Final		
REVENUES				
Property taxes	\$ 78,550	\$ 78,550	\$ 79,189	\$ 639
Intergovernmental revenues - Federal	-	-	30,685	30,685
Investment earnings	1,200	1,200	1,510	310
Other	525	525	4,871	4,346
Total revenues	80,275	80,275	116,255	35,980
EXPENDITURES				
Current				
Public safety	78,000	78,000	91,142	(13,142)
Capital outlay	11,000	15,500	26,783	(11,283)
Total expenditures	89,000	93,500	117,925	(24,425)
Net change in fund balance	\$ <u>(8,725)</u>	\$ <u>(13,225)</u>	(1,670)	\$ <u>11,555</u>
Fund balance at April 1, 2007			<u>90,680</u>	
Fund balance at March 31, 2008			\$ <u>89,010</u>	

BRICKLEY DELONG

CERTIFIED PUBLIC ACCOUNTANTS

July 23, 2008

Township Board
Hamlin Township
Ludington, Michigan

In planning and performing our audit of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Hamlin Township as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Hamlin Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hamlin Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Hamlin Township's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified and we have attached deficiencies in internal control that we consider to be a significant deficiency.

This communication is intended solely for the information and use of management, the Township Board, others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.



SIGNIFICANT DEFICIENCIES

Recommendation 1: The internal controls surrounding the preparation of formal year end financial statements should be improved.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining effective internal accounting controls related to the preparation and review of the formal year end financial statements.

The Organization should review its procedures surrounding the preparation of year end financial statements to include the appointment of an individual with the requisite technical skills and experience to review the formal year end financial statements and accompanying footnotes, in relation to required disclosures in accordance with generally accepted accounting principles.

Recommendation 2: The internal control procedures should be further segregated.

Small organizations with limited resources and personnel inherently have difficulty in establishing and maintaining an accounting system with strong internal accounting controls including significant segregation of duties.

The Township should continue using its current accounting system, but seek opportunities to further segregate duties and strengthen internal controls. Often, the most effective approach is the expansion of documented approval of transactions and reconciliations by the Township Board.